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Proposed programme budget for the biennium 2018-2019**

Part X
Jointly financed administrative activities and special expenses

Section 32
Special expenses

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* Reissued for technical reasons on 24 May 2017.

** A summary of the approved programme budget will be issued as A/72/6/Add.1.

*** The present report does not contain annexes on organizational structure and post distribution for the biennium 2018-2019 and on outputs included in the biennium 2016-2017 not to be delivered in 2018-2019.

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Overview

Table 32.1 **Financial resources**

(United States dollars)

Appropriation for 2016-2017	153 244 800
Other changes	(199 000)
Total resource change	(199 000)
Proposal of the Secretary-General for 2018-2019[a]	153 045 800

[a] At 2016-2017 revised rates.

32.1 Under section 32, Special expenses, resources are provided to cover specific expenditure requirements for: (a) contributions to after-service health insurance; (b) compensatory payments; (c) general insurance charges; (d) bank charges; and (e) pension payments to former Secretaries-General.

32.2 The overall resources proposed for the biennium 2018-2019 for this section amount to $153,045,800 before recosting, reflecting a net decrease of $199,000 (or 0.1 per cent) compared with the appropriation for 2016-2017. Resource changes result from expected efficiencies in the biennium 2018-2019.

32.3 The distribution of resources is reflected in table 32.2.

Table 32.2 **Financial resources by component**

(Thousands of United States dollars)

(1) *Regular budget*

			Resource changes								
	2014-2015 expenditure	*2016-2017 appropriation*	*Technical adjustment (non-recurrent, biennial provision of posts)*	*New and expanded mandates*	*Within and/or across section(s)*	*Other*	*Total*	*Percentage*	*Total before recosting*	*Recosting*[a]	*2018-2019 estimate*
A. Contributions to after-service health insurance	119 809.3	140 707.4	–	–	–	–	–	–	140 707.4	3 374.6	144 082.0
B. Compensatory payments	3 161.6	2 841.5	–	–	–	394.7	394.7	13.9	3 236.2	–	3 236.2
C. General insurance	7 525.8	7 547.0	–	–	–	(477.6)	(477.6)	(6.3)	7 069.4	–	7 069.4
D. Bank charges	10 230.0	856.5	–	–	–	(326.5)	(326.5)	(38.1)	530.0	–	530.0
E. Pension payments to former Secretaries-General	1 292.4	1 292.4	–	–	–	210.4	210.4	16.3	1 502.8	–	1 502.8
Subtotal	**142 019.1**	**153 244.8**	**–**	**–**	**–**	**(199.0)**	**(199.0)**	**(0.1)**	**153 045.8**	**3 374.6**	**156 420.4**

(2) *Other assessed and extrabudgetary*

	2014-2015 expenditure	2016-2017 estimate	2018-2019 estimate
Subtotal	**27 989.4**	**33 729.2**	**33 729.2**
Total	**170 008.5**	**186 974.0**	**190 149.6**

[a] Based on projected medical inflation rates of 5.1 per cent for 2018 and 4.9 per cent for 2019 using the actuarial valuation of the end-of-service and post-employment benefits schemes as at 31 December 2016.

A. After-service health insurance

Resource requirements (before recosting): $140,707,400

Table 32.3 **Resource requirements: after-service health insurance**

	Resources (thousands of United States dollars)		Posts	
	2016-2017	2018-2019 (before recosting)	2016-2017	2018-2019
Regular budget				
Non-post	140 707.4	140 707.4	–	–
Subtotal	**140 707.4**	**140 707.4**	**–**	**–**
Other assessed and extrabudgetary	33 729.2	33 729.2	–	–
Total	**174 436.6**	**174 436.6**	**–**	**–**

32.4 The after-service health insurance programme extends health-care benefits under the United Nations insurance schemes to eligible retirees and their eligible dependants. Coverage is provided on a shared-contribution basis in accordance with a decision taken by the General Assembly at its twenty-first session. Coverage is also provided to staff members whose appointments are terminated as a result of disability. In all cases, coverage is available only to those who are eligible to receive a periodic benefit from the United Nations Joint Staff Pension Fund or under the rules governing compensation for service-incurred death, injury or illness. In accordance with Assembly resolution 38/235, the maximum cost-sharing ratio is 2 to 1 between the organization and the participant.

32.5 By its resolution 40/258 A, the General Assembly decided to extend after-service health insurance coverage to former locally recruited staff who had participated in the medical expense assistance plan under appendix E to the Staff Rules of the United Nations.

32.6 By its resolution 61/264, the General Assembly approved changes to the after-service health insurance provisions for new staff members recruited on or after 1 July 2007. Under the terms of that resolution, following retirement, staff members are eligible for cost-sharing of after-service coverage if they have participated in a United Nations-system contributory health insurance plan for a minimum of 10 years at the time of retirement. Staff members recruited before 1 July 2007 who have participated in a United Nations contributory plan for at least five years are also eligible, provided that they pay the full premium for the period for which their participation falls short of the 10-year requirement for cost-shared participation.

32.7 In the biennium 2010-2011, the United Nations introduced a new requirement that all after service health insurance participants based in the United States of America enrol in Medicare Part B if eligible. This measure has helped to contain the premium costs of insurance plans administered at Headquarters during the succeeding bienniums, and it will continue to help to contain the requirements for the biennium 2018-2019.

32.8 Since the inception of the after-service health insurance programme in the United Nations, the programme has grown in terms of both the number of participants and the related cost.

32.9 The high level of medical inflation in the United States, especially in the New York area, drives prices for health services that underlie the premium rates applicable to the plans administered at Headquarters. The premium projections for the United Nations Worldwide plan for retirees not based in the United States reflect the global nature of the plan. In many locations, increases in the medical inflation rate outpace those in general inflation. Substantial levels of new active staff in peacekeeping activities have helped to contain premium increases in recent years. As staffing numbers stabilize or decrease, however, it is expected that costs will more closely follow medical inflation rates in the coming years. Although average premium costs per participant vary among different insurance plans and in terms of the costs experienced in different countries in the recent past, the overall market trends for medical insurance premiums have been upward.

32.10 By its resolution 70/244, the General Assembly decided that the mandatory age of separation for staff recruited before 1 January 2014 should be raised to 65 years, at the latest by 1 January 2018, taking into account the acquired rights to staff. As a result, while there will be an increase in the number of participants in the biennium 2018-2019, the number of new participants may be lower than in previous bienniums. In this respect, and taking into account expenditure patterns in 2016, the resource requirements in the amount $140,707,400 (before recosting) is proposed at the maintenance level.

32.11 The General Assembly, in its resolution 64/241, requested the Secretary-General to submit to it at its sixty-seventh session a report on managing after-service health insurance liabilities, bearing in mind that the "pay-as-you-go" principle was one of the viable options. The Assembly also requested the Secretary-General to continue to validate the accrued liabilities with the figures audited by the Board of Auditors and to include this information and the outcome of the validation in the requested report. The report of the Secretary-General on managing after-service health insurance liabilities (A/68/353) was submitted to the Assembly at its sixty-eighth session. The Assembly, in its resolution 68/244, endorsed the recommendation of the Advisory Committee on Administrative and Budgetary Questions on the continuation of the pay-as-you-go approach to the funding of the after-service health insurance liabilities. It also requested the Secretary-General to examine the option of broadening the mandate of the United Nations Joint Staff Pension Fund, to include the cost-effective, efficient and sustainable administration of after-service health insurance benefits, taking into account the advantages and disadvantages of that option, including its financial and legal implications, and to report thereon at the seventieth session of the Assembly, as well as to undertake a survey of current health-care plans for active and retired staff within the United Nations system, to explore all options to increase efficiency and contain costs and to report thereon at its seventieth session. In his reports on managing after-service health insurance (A/70/590 and A/71/698 and Corr.1), largely informed by the work of the inter-agency Working Group on After-Service Health Insurance, the Secretary-General continued to appraise the Assembly of the work undertaken in response to its request. In its most recent resolution on managing after-service health insurance (71/272 B), the Assembly endorsed the recommendations contained in the report of the Advisory Committee (A/71/815), including its request that the Secretary-General maintain the Working Group on After-Service Health Insurance and report to the Assembly at its seventy-third session.

B. Compensatory payments

Resource requirements (before recosting): $3,236,200

Table 32.4 **Resource requirements: compensatory payments**

	Resources (thousands of United States dollars)		*Posts*	
	2016-2017	*2018-2019 (before recosting)*	*2016-2017*	*2018-2019*
Regular budget				
Non-post	2 841.5	3 236.2	–	–
Total	**2 841.5**	**3 236.2**	**–**	**–**

32.12 The requirements under compensatory payments provide for compensation to members of commissions, committees or similar United Nations bodies in the event of death, injury or illness attributable to service with the United Nations. The responsibilities of the United Nations in this area, as well as the rules governing compensatory payments, are detailed in Secretary-General's bulletin ST/SGB/103/Rev.1.

32.13 Compensation is also provided to staff members or their dependants in the event of death, injury or illness attributable to the performance by the staff member of official duties on behalf of the United Nations. The compensation is governed by the specific rules under appendix D to the Staff Regulations and Rules of the United Nations (ST/SGB/2017/1 and Corr.1).

32.14 The costs incurred on both those accounts may include death annuities, monthly benefits for incapacity resulting from injury or illness, lump-sum indemnities for permanent disabilities and medical, hospital and other related expenses.

32.15 The requirements in the amount of $3,236,200, reflecting an increase of $394,700, are based on expenditure patterns in 2016. Actual expenditures will be presented in the context of performance reports for the biennium 2018-2019.

C. General insurance

Resource requirements (before recosting): $7,069,400

Table 32.5 **Resource requirements: general insurance**

	Resources (thousands of United States dollars)		*Posts*	
	2016-2017	*2018-2019 (before recosting)*	*2016-2017*	*2018-2019*
Regular budget				
Non-post	7 547.0	7 069.4	–	–
Total	**7 547.0**	**7 069.4**	**–**	**–**

32.16 The provisions under general insurance relate mainly to insurance on the buildings and property at United Nations Headquarters as well as at Addis Ababa (the Economic Commission for Africa), Santiago (the Economic Commission for Latin America and the Caribbean) and Beirut (the Economic and Social Commission for Western Asia). The United Nations Offices at Geneva, Vienna and Nairobi, as well as at Bangkok (the Economic and Social Commission for Asia and the Pacific), separately maintain property and liability coverage for their offices locally. General insurance also covers automobile liability insurance at Headquarters, liability insurance for aircraft used for travel by the Secretary-General but not owned by the United Nations, and insurance for other air travel of staff. In addition, in accordance with General Assembly resolution 41/210, the

United Nations has established a self-insurance plan for general liability risk in respect of acts occurring in the Headquarters district in New York. The provisions also cover a stand-alone insurance policy for acts of terrorism, which, following the events of 11 September 2001, was established effective 2003 as a result of limitations in the scope of insurance coverage for risks, such as acts of terrorism that would normally have been covered under the general policies.

32.17 Insurance premiums have remained stable for the United Nations in recent years as a result of robust outreach initiatives to encourage additional markets to bid for coverage of the United Nations' risks. Some limitations in the scope of insurance coverage, however, continue to be prevalent. Two such examples are the flood coverage restrictions introduced in the wake of storm Sandy in New York, and the continued requirement for specific insurance for acts of terrorism that were covered under the general policies before the events of 11 September 2001. Actual premiums will also be driven by the United Nations claims experience in 2017 and during the biennium 2018-2019, and by the general state of insurance markets at the time of the renewal of the policy, which may be affected by political events, natural catastrophes or regulatory requirements, and insurers' perception of specific risks related to the United Nations. Those factors will also have an impact on new premium rates for the biennium 2018-2019, following the expiration of significant contracts in 2018. Those factors notwithstanding, on the basis of 2016 expenditure patterns, resource requirements in the amount of $7,069,400, reflecting a decrease of $477,600, are proposed. Actual expenditures will be presented in the context of performance reports for the biennium 2018-2019.

D. Bank charges

Resource requirements (before recosting): $530,000

Table 32.6 **Resource requirements: bank charges**

	Resources (thousands of United States dollars)		*Posts*	
	2016-2017	*2018-2019 (before recosting)*	*2016-2017*	*2018-2019*
Regular budget				
Non-post	856.5	530.0	–	–
Total	**856.5**	**530.0**	**–**	**–**

32.18 The requirements in the amount of $530,000, reflecting a decrease of $326,500 would provide for fees for bank account maintenance, electronic fund transfers and other fees for services provided by banks. Such costs are more than offset by interest income earned on cash balances, which are budgeted under income section 2, General income.

32.19 The decrease of $326,500 is due to renegotiations of bank arrangements and the implementation of Umoja, which resulted in the discontinuation of using prior bank systems and a significant reduction in the number of bank accounts. Actual expenditures will be presented in the context of performance reports for the biennium 2018-2019.

E. Pension payments to former Secretaries-General

Resource requirements (before recosting): $1,502,800

Table 32.7 **Resource requirements: pension payments to former Secretaries-General**

	Resources (thousands of United States dollars)		*Posts*	
	2016-2017	*2018-2019 (before recosting)*	*2016-2017*	*2018-2019*
Regular budget				
Non-post	1 292.4	1 502.8	–	–
Total	**1 292.4**	**1 502.8**	–	–

32.20 The amount of $1,502,800, reflecting an increase of $210,400, would provide for the retirement allowances for three former Secretaries-General and for the widows of two former Secretaries-General at the half rate for the entire biennium, on the basis of the maximum retirement benefit payable as from 1 February 2017. Actual expenditures will be presented in the context of performance reports for the biennium 2018-2019.

Annex

Summary of follow-up action taken to implement relevant recommendations of the oversight bodies

Brief description of the recommendation	*Action taken to implement the recommendation*
Advisory Committee on Administrative and Budgetary Questions (A/70/7)	
The Advisory Committee expects that the Secretary-General will continue to explore all available measures to contain the Organization's costs related to after-service health insurance. In addition, the Committee is of the view that important information pertaining to key elements, such as the recosting applied to the resource requirements for after-service health insurance, should be presented in more detail in order to facilitate the General Assembly's consideration of the proposed budget (para. X.33).	In his reports on managing after-service health insurance, the Secretary-General continues to appraise the General Assembly on the work of the inter-agency Working Group on after-service health insurance, including on measures to contain the Organization's costs related to after-service health insurance. See footnote a in table 32.2.
The Advisory Committee looks forward to receiving information on the impact of inter-agency cooperation and the roll-out of Umoja on the efficiency and effectiveness of banking operations of the United Nations in future budget submissions (para. X.44).	See paragraph 32.19 of the present report, which reflects efficiencies realized under bank charges as a result of the roll-out of Umoja.